



GOVERNMENT
PORTFOLIO
ADVISORS

Investment Program Review City of Franklin

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HISTORIC
FRANKLIN
TENNESSEE



Investment Advisory Overview

Investment Advisor since December 2011

- Fiduciary Capacity
- Transparency of Fees
- Provides more comprehensive services including:
 - ✓ Investment Policy
 - ✓ Strategic Development
 - ✓ Cash Flow Analysis
 - ✓ Council Presentations
 - ✓ Reporting
- Efficient use of time and internal resources





Key Competencies of the Investment Program

Managing with Intention:

Create an investment strategy that optimizes the risk and return expectations of your organization.

Managing with Transparency:

Have a clearly articulated reporting process to provide for transparency regarding all aspects of the investment program.

Managing with Accountability:

Fiduciary responsibility to manage the funds appropriately based on safety, liquidity, and return.

Managing with Confidence:

Clearly understanding the goals of the program and developing resources and processes to meet those goals.





Key Roles of Responsibilities

Non-
Discretionary

Set Asset Allocation Targets:
Investment Policy Statement:
Implement/Rebalancing:
Security Selection:

ADVISOR

Recommends
Recommends
Recommends
Recommends

CLIENT

Approves
Approves
Approves
Approves



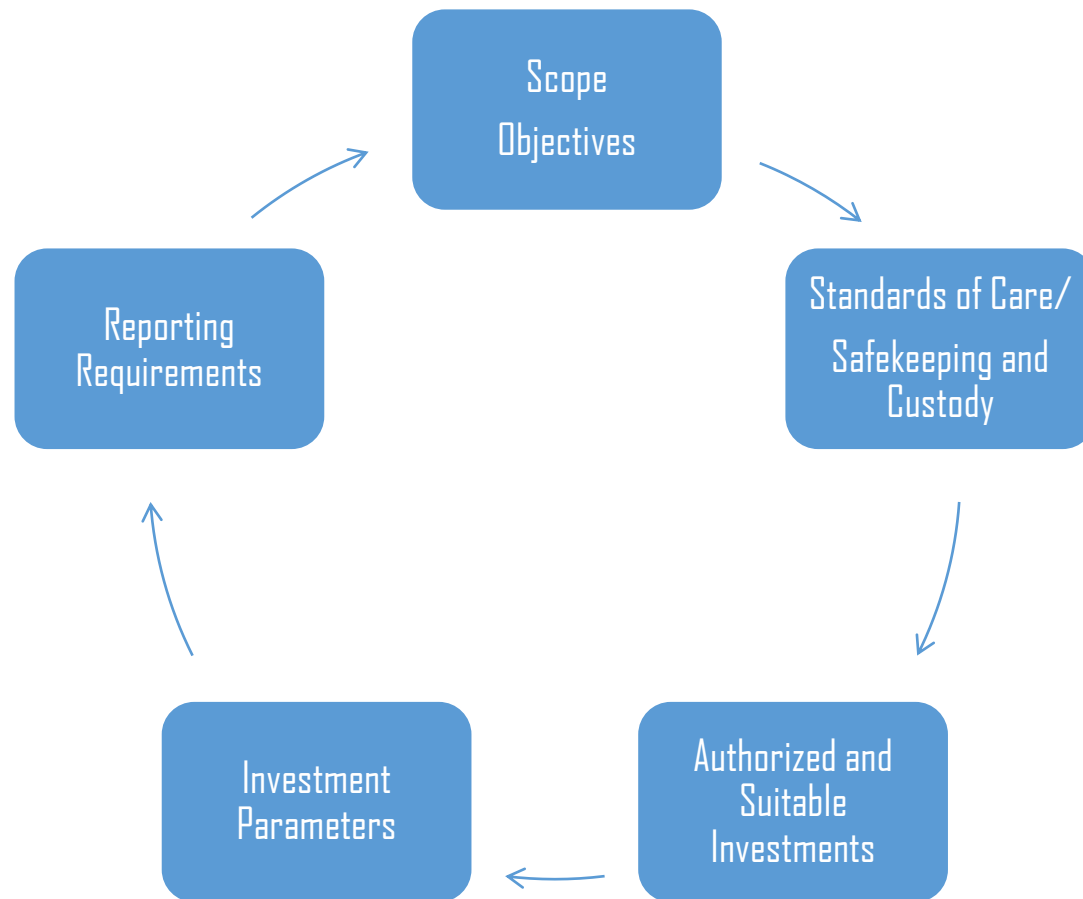
Investment Policy

- Articulates the objectives of the City's investment program of safety, liquidity and return.
- Incorporates constraints that will balance the risk and return characteristics of the investments.
- The updates that are being proposed are primarily clarification items regarding rating interpretation and to align the structure of the policy to the GFOA best practice standards.
- Allows the City to implement its own risk parameters through the following constraints:
 - Single Maturity: 4 years –with the exception of US treasury securities which has a 5 year maximum maturity
 - Weighted Average Maturity of total funds – 2 years
 - Asset Allocation - Constraints applied in Diversification table
 - Rating AA- by S&P, or Aa3 by Moody's or AA- by Fitch





Investment Policy



Compliance Report



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Total Funds Franklin

Compliance Report

Draft Policy 2017 |
04/30/2017

	Policy Requirement	% of Total Accumulated	Portfolio Allocation	Within Limits	S&P	Moody's
Under 30 days	0%	28%	\$ 27,355,672 ↓	Yes	Muni's	AA-
Under 1 year		51%	\$ 48,961,679 ↑	Yes	C P	A-1
Under 5 years	100%	100%	\$ 96,836,417 ↓	Yes		P-1
				Yes		
Maximum Weighted Average Maturity	Years		1.03 ↓	Yes		
Maximum Callable Securities	15%	4%	\$ 7,467,310 ↑	Yes		
Maximum Single Maturity - UST 5 yrs all others 4 yrs	5 Years		3.13 ↓	Yes	Policy states one rating meets policy	

Asset Allocation Diversification	Maximum Policy Allocation	Issuer Constraint	Percentage of Portfolio	Market Value	% Within Limits	Ratings Compliance	Issuer Compliance
US Treasury Obligations	100%		30%	\$ 29,418,748 ↓	Yes		
US Agencies Primary	100%		39%	\$ 37,424,595 ↑	Yes		
FHLB		100%	3%	\$ 2,499,345 ↑	Yes		
FNMA		100%	13%	\$ 12,495,970 ↑	Yes		
FHLMC		100%	21%	\$ 19,940,753 ↑	Yes		
FFCB		100%	3%	\$ 2,488,528 ↑	Yes		
Other GSE's	10%	5%					
Municipal Bonds including City of Franklin Notes	10%	100%	0%	\$			
Certificates of Deposit and Bank Deposits	50%	50%	31%	\$ 29,993,075 ↓	Yes	Yes	Yes
Commercial Paper	20%	5%	0%	\$			
Bankers Acceptances	10%	5%					
Repurchase Agreements	10%	10%					
Local Government Investment Pool	100%	N/A				1	1
Total			100%	\$ 96,836,417 ↓			

† Ratings & Issuer restrictions do not apply to pool funds

Name	Par Amount	Total Adjusted Cost	Market Value	Unrealized Gain/Loss	Yield At Cost	Eff Dur	Bench Dur
City of Franklin - Core Investment Fund	\$ 67,185,535	\$ 67,146,320	\$ 67,028,877 ↑	\$ (117,442.54)	1.10	1.32	1.40
City of Franklin Liquidity	\$ 29,807,540	\$ 29,807,540	\$ 29,807,540 ↓	\$	0.92	0.10	0.10
TOTAL PORTFOLIO	\$ 96,993,075	\$ 96,953,860	\$ 96,836,417 ↓	\$ (117,442.54)	1.05	0.94	1.00



City of Franklin 6/8/17

Investment Strategy Implementation

Liquidity Fund

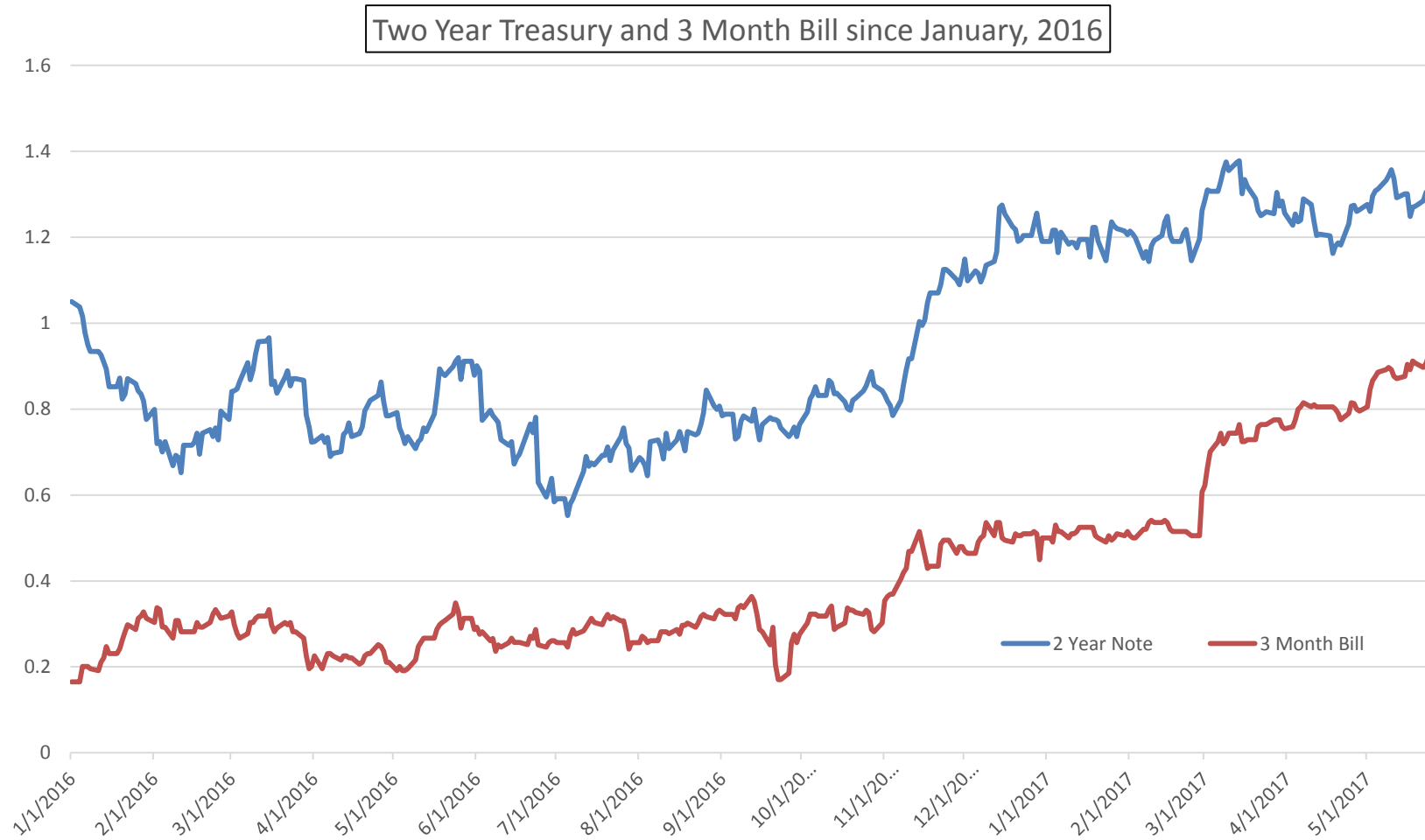
- Established to meet operating and project fund cash flows
- Constant review of cash flow and budgets
- Investments are held in State LGIP, Bank Deposits or Short Cash Match notes

Investment Fund

- Fund balances that are available for longer term liabilities
- Invested in securities that are liquid and provide higher earnings
- Managed to a market benchmark to control risk



Market 2016 and Q1 2017



Source: Bloomberg



City of Franklin 6/8/17



The City's Portfolio

As of 3/31/17

Portfolio Summary

Portfolio Name	Par Amount	Total Original Cost	Total Adjusted Cost	Market Value	Unrealized Gain/Loss	Yield At Cost	Mod Dur	Eff Dur	Bench Dur	Benchmark
Core Investment Fund	\$67,110,745.00	\$67,080,694.65	\$67,070,256.84	\$66,946,302.62	(\$123,954.22)	1.1	1.49	1.32	1.4	BofA Merrill 0-3 Treasury
Liquidity Fund	\$31,847,712.00	\$31,847,712.39	\$31,847,712.39	\$31,847,712.39	\$0	0.92	0.1	0.07	0.1	Cash
TOTAL PORTFOLIO	\$98,958,458.00	\$98,928,407.04	\$98,917,969.23	\$98,794,015.01	(\$123,954.22)	1.04	1.04	0.92	0.98	

Note: The Investment Fund holds \$110,745 that is held in the safekeeping account.





Portfolio Summary by Month

All Portfolios

Month	Market Value	Book Value	Unrealized Gain/Loss	YTM @Cost	YTM @Market	Duration	Days To Maturity
7/31/16	78,714,414.70	78,553,387.93	161,026.77	0.73	0.60	0.56	208
8/31/16	78,065,548.53	77,965,489.95	100,058.58	0.74	0.65	0.6	222
9/30/16	75,314,252.31	75,198,907.73	115,344.58	0.76	0.64	0.59	219
10/31/16	75,108,497.43	75,027,797.19	80,700.24	0.76	0.68	0.62	230
11/30/16	77,325,687.85	77,387,544.36	-61,856.51	0.79	0.80	0.68	252
12/31/16	79,677,422.29	79,755,980.76	-78,558.47	0.81	0.83	0.67	249
1/31/17	83,566,475.87	83,643,331.69	-76,855.82	0.88	0.91	0.67	247
2/28/17	94,440,116.47	94,525,381.72	-85,265.25	0.99	1.02	1.03	378
3/31/17	99,550,463.97	99,674,318.70	-123,854.73	1.01	1.09	1.02	377

Value Added from Investment Program over the State LGIP earnings Fiscal Year to Date is approximately \$277,000.





City's Investment Holdings

As of 3/31/17

Description	Face Amount/Shares	YTM @ Cost	Book Value	Market Value	Days To Maturity	% of Portfolio
Agency Bullet						
FFCB 0.8 8/15/2018	2,500,000.00	0.846	2,498,452.74	2,487,900.00	502	2.5
FHLB 1.125 3/29/2018	2,500,000.00	1.018	2,502,608.02	2,499,075.00	363	2.5
FHLMC 0.75 4/9/2018	5,000,000.00	0.939	4,990,341.27	4,980,250.00	374	5.0
FHLMC 1 7/28/2017	2,500,000.00	0.987	2,500,100.15	2,500,900.00	119	2.5
FHLMC 1 9/28/2018	2,500,000.00	0.984	2,500,577.57	2,492,600.00	546	2.5
FHLMC 1.125 4/15/2019	5,000,000.00	1.370	4,975,450.00	4,975,800.00	745	5.0
FHLMC 1.25 10/2/2019	2,500,000.00	1.331	2,495,047.57	2,486,050.00	915	2.5
FNMA 1.125 10/19/2018	2,500,000.00	0.971	2,505,890.24	2,495,950.00	567	2.5
FNMA 1.125 7/20/2018	2,500,000.00	1.083	2,501,349.48	2,498,425.00	476	2.5
FNMA 1.625 11/27/2018	5,000,000.00	1.152	5,038,798.78	5,030,600.00	606	5.0
Sub Total / Average	32,500,000.00	1.088	32,508,615.82	32,447,550.00	534	32.5
Agency Callable						
FHLMC 1.35 1/25/2019-17	2,500,000.00	1.381	2,498,622.24	2,498,650.00	665	2.5
FNMA 1.58 6/15/2020-16	2,500,000.00	1.587	2,499,439.98	2,470,200.00	1,172	2.5
Sub Total / Average	5,000,000.00	1.484	4,998,062.22	4,968,850.00	918	5.0
Treasury Notes						
T-Note 0.75 2/15/2019	5,000,000.00	1.181	4,960,132.36	4,954,900.00	686	5.0
T-Note 0.75 2/28/2018	4,000,000.00	0.924	3,993,687.00	3,988,760.00	334	4.0
T-Note 0.875 5/31/2018	4,000,000.00	1.005	3,993,974.95	3,988,280.00	426	4.0
T-Note 0.875 7/31/2019	2,500,000.00	1.200	2,481,457.97	2,473,525.00	852	2.5
T-Note 1 12/15/2017	5,000,000.00	0.796	5,007,203.18	5,000,000.00	259	5.0
T-Note 1.125 6/15/2018	2,500,000.00	1.019	2,503,135.90	2,499,700.00	441	2.5
T-Note 1.25 12/15/2018	4,000,000.00	1.202	4,003,240.18	4,002,200.00	624	4.0
T-Note 1.5 3/31/2019	2,500,000.00	1.296	2,509,935.15	2,511,825.00	730	2.5
Sub Total / Average	29,500,000.00	1.057	29,452,766.69	29,419,190.00	519	29.5
Total Investment	67,000,000.00		66,959,444.73	66,835,590.00		



City's Liquidity Holdings

As of 3/31/17

Description	Face Amount/Shares	YTM @ Cost	Book Value	Market Value	Days To Maturity	% of Portfolio
Certificate of Deposits						
1st Citizens National 0.7 3/11/2018	305,748.01	0.700	305,748.01	305,748.01	345	0.31
1st Citizens National 0.7 9/11/2017	305,287.65	0.700	305,287.65	305,287.65	164	0.31
1st Citizens National 0.8 4/27/2017	506,094.57	0.800	506,094.57	506,094.57	27	0.51
1st Citizens National Bank 0.7 8/28/2017	518,934.12	0.700	518,934.12	518,934.12	150	0.52
Pinnacle Bank 0.871 4/20/2017	756,416.46	0.871	756,416.46	756,416.46	20	0.76
Sub Total / Average	2,392,480.81	0.775	2,392,480.81	2,392,480.81	110	2.40
Money Market Accounts						
Fifth Third Bank MM	110,744.53	0.010	110,744.53	110,744.53	1	0.11
First Tennessee Bank MM	5,014.76	0.010	5,014.76	5,014.76	1	0.01
Franklin Synergy Bank MM	4,688,943.64	0.870	4,688,943.64	4,688,943.64	1	4.70
Franklin Synergy Bank MM	2,062,467.98	0.640	2,062,467.98	2,062,467.98	1	2.07
Pinnacle Operating Account MM	23,204,112.30	0.840	23,204,112.30	23,204,112.30	1	23.27
Republic Bank MM	251,109.36	0.850	251,109.36	251,109.36	1	0.25
Sub Total / Average	30,322,392.57	0.828	30,322,392.57	30,322,392.57	1	30.41
Cash & Equivalents						



- **GPS:** Complete the Guideline Portfolio Strategy for 2017 and invest accordingly.
- **Liquidity Fund:** Establish a minimum liquidity balance of \$25MM to provide for cash disbursements needed for project fund payments and other cash disbursements.
- **Core Investment Fund:** Target the size of the investment component to \$65MM and establish \$75MM as the maximum allowable to be invested (which includes project funds).
- **Benchmark:** Maintain the investment portfolio benchmark at the 0-3 year, which has a duration of 1.45 years.
- **Maturity:** Allow to invest in a single maturity longer than 3 years. Average total maturity of the portfolio is constrained to 2 years.
- **Policy Considerations:** Updated to GFOA best practice standards